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# house passes invest act of 2025

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On December 11, 2025, the U.S. House of Representatives passed the *Incentivizing New Ventures and Economic Strength Through Capital Formation (INVEST) Act of 2025* (H.R. 3383) to increase capital formation in private markets and encourage initial public offerings.

The INVEST Act – a package of 22 bills addressing capital access -- is designed to fund early-stage businesses by enabling new venture capital fund formation. At the same time it seeks to broaden opportunities for retail investors to participate in the high-growth segment of the private market, without compromising investor protection by channeling retail participation through professionally managed, SEC-regulated structures.

## **Background**

Registered closed-end funds operate under the Investment Company Act of 1940 and are available to retail (non-accredited) investors through SEC-registered offerings. These funds are governed by independent boards, managed by fiduciary investment advisers, and subject to comprehensive SEC oversight.

By contrast, private funds, including venture capital ("VC") funds, are sold only to institutional and accredited investors and are usually exempt from Investment Company Act registration. Furthermore, advisers to VC funds are exempt from registration under the Investment Advisers Act of 1940 if they advise only "venture capital funds" under SEC rules.

The INVEST Act is designed to bridge this regulatory divide, giving ordinary investors access to private-fund strategies through registered, fiduciary-managed vehicles.

## **Key Reforms to the Investment Company Act of 1940**

## **attorneys**

Mark T. Hiraide

## **practice areas**

capital markets & securities

corporate & business transactions

corporate governance

crowdfunding

early-stage private company financing

exchange act compliance & regulatory reporting

general corporate law

private equity / private funds



### 1. **Section 206 - Increasing Investor Opportunities**

Section 206 prohibits the SEC from imposing limits, such as accredited-investor-only restrictions or high minimum investment requirements, on closed-end funds that invest in private funds. Historically, SEC staff guidance effectively barred ordinary investors from closed-end funds holding more than 15% of assets in private funds unless those investors were accredited and invested at least \$25,000.

### 1. **Section 109 - Expanding the Venture Capital Fund Definition**

Section 109 permits VC funds to invest up to 49% of contributed and uncalled capital in other VC funds and in secondary transactions (e.g., purchases from employees and founders). Current rules cap such investments at 20%. This change will enable larger VC funds to seed smaller, emerging managers-expanding geographic diversity of capital, and smaller managers will gain needed capital access to invest in early-stage startups.

### 1. **Section 108 - Scaling "Qualifying Venture Capital Funds"**

Section 108 raises the Investment Adviser registration exemption thresholds for "qualifying venture capital funds," increasing:

- the investor limit from 250 to 500 persons, and
- the capital limit from \$10 million to \$50 million (with future adjustment authority).

These increases are designed to enable fund managers to lower minimum investment amounts, supporting broader accredited-investor participation and facilitating first-time fund formation.

### 1. **Section 104 - Raising the Investment Adviser Exemption Threshold**

Section 104 increases the investment-adviser registration threshold for private-fund advisers from \$150 million to \$175 million, allowing more emerging advisers to operate without bearing the high compliance costs associated with full SEC registration.

### 1. **Section 302 - Encouraging Investment in Business Development Companies**

Section 302 permits registered funds to exclude certain indirect BDC-related fees from disclosure calculations, removing a disincentive for funds to invest in BDCs and helping increase capital available to small and mid-sized businesses.

## **Key Reforms to the Securities Act of 1933**

### 1. **Sections 201 & 203 - Modernizing the "Accredited Investor" Definition**



Section 201 expands the accredited investor category to include individuals meeting enhanced, inflation-adjusted financial thresholds, eligible professionals, and individuals with verifiable expertise. Section 203 directs the SEC to create a free, publicly available investor-knowledge examination, enabling any individual who demonstrates financial sophistication to qualify.

#### 1. **Section 103 - Reducing the Cost of Crowdfunding**

Section 103 raises from \$100,000 to \$250,000 the threshold at which Regulation CF issuers must provide accountant-reviewed financial statements. Because CPA reviews and audits are typically the largest out-of-pocket cost in Regulation CF offerings, this change will make true seed-stage capital--often the most difficult to obtain--more accessible to local entrepreneurs.

#### 1. **Section 102 - Protecting Entrepreneurs at Demo Days**

Section 102 amends Regulation D to clarify that "demo day" presentations at universities, accelerators, and similar forums do not constitute general solicitation. This protects entrepreneurs from inadvertently violating securities laws simply by pitching at the very events designed to help them connect with investors.

#### 1. **Sections 301-304 - Strengthening the IPO Pipeline**

Sections 301-304 streamline reporting obligations for Emerging Growth Companies (EGCs), ease "testing-the-waters" communications, and permit confidential SEC submissions, all of which are designed to reduce costs and help revive the long-declining IPO market.

#### **SEC Policy Directives**

Sections 101, 105, 106, 107, and 204 direct the SEC to:

- address the capital needs of rural communities,
- establish Offices of Small Business across key SEC divisions,
- update outdated "small entity" definitions,
- streamline reporting burdens on the Office of the Advocate for Small Business Capital Formation, and
- create a Senior Investor Taskforce to strengthen protections for older Americans.

Collectively, these directives are designed to ensure that the SEC's rulemaking processes align with congressional priorities to support small businesses, entrepreneurs, and vulnerable investors.

#### **Conclusion**



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The INVEST Act is designed to provide retail investors access to private markets through regulated channels and to strengthen the venture-capital and small-business ecosystem that fuels innovation.